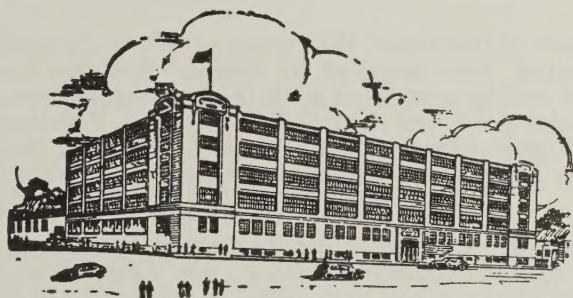


WOOD ALEXANDER
LIMITED
HAMILTON — ONTARIO

Annual Report

January 31st, 1972



DIRECTORS

J. B. CHEYNE,
President

H. C. HANCOCK,
Vice-President and General Manager

J. I. WHITFORD,
Vice-President, Secretary

R. W. COOPER

P. C. FIKKAN

D. R. GIBSON

L. W. RIXE

R. W. WOOTTON

WOOD ALEXANDER LIMITED

TO THE SHAREHOLDERS:

The general economic conditions during the first six months of the year in our trading area were such that our Sales and Profits were below expectations. We also made a decision to convert our five Company-owned Retail Stores to Crest Franchised Dealerships in the second quarter and this had the effect of reducing our sales from Retail to Wholesale value. However, through increased merchandising activity during the second half of the year, our sales in the full year were maintained at a level comparable with the prior year.

Earnings were reduced from the combined effects of increasing labour costs and continued high expenditures in the operating of our Company-owned Stores.

The decision to Franchise our Retail Stores, all of which were converted to Crest Franchised Dealerships was made to permit a concentration on our Franchised Dealer Program to the mutual benefit of the Company and our Dealers.

We realigned the blend of our business during the latter part of 1971, with greater emphasis on Franchise business. Our plan is to continue further realignment in 1972 with emphasis on the Franchise business and lessened emphasis on the high service cost of industrial and general dealer business, thereby sustaining our Sales base and effectively reducing our operating expenses which are projected to substantially improve Profits for the current year.

During the latter part of December, the shares of Wood Alexander Limited held by Marshall Wells Limited, were acquired by Macleod Stedman Limited, a Winnipeg-based Company, and will be associated with the Macleod Division. There were three new Directors appointed to the Board, P. C. Fikkan, President, Macleods, D. R. Gibson, Executive Vice-President, Macleods and L. W. Rixe, Senior Vice-President, Gamble-Skogmo Inc., Minneapolis, Minnesota, U.S.A.

As of February this year, a complete reorganization has taken place with a new concept of aggressive merchandising through our Crest Franchised Dealer Program. Merchandising strength has been added to the Staff and through the association with Macleods, which has a well established profitable merchandising program, we believe Wood Alexander will benefit now and in future years.

Our entire Management and Staff look forward to the challenge of 1972 with great enthusiasm and confidence.

Your Board of Directors acknowledges with gratitude, the loyalty and co-operation of our Company's customers, its employees and suppliers, during the past year.

On behalf of the Board,

Hamilton, Ontario
March 29, 1972

J. B. CHEYNE,
President.

WOOD ALEXANDER LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET AS AT JANUARY 31, 1972

A S S E T S

Current Assets	1972	1971
Cash	\$ 48,361	62,585
Accounts receivable, less allowance for doubtful accounts	1,076,404	865,311
Income taxes recoverable	15,403	—
Inventories, at the lower of cost or net realizable value	1,311,475	1,738,457
Prepaid expenses	10,668	14,954
Total current assets	2,462,311	2,681,307
Fixed Assets — at cost less sales proceeds:		
Land	39,400	39,400
Buildings and equipment	1,280,244	1,297,824
Accumulated depreciation	1,319,644	1,337,224
	660,283	659,880
Total fixed assets	659,361	677,344
Other Assets — Sundry	170	170
	\$ 3,121,842	3,358,821

L I A B I L I T I E S

Current Liabilities	1972	1971
Bank loan	\$ 503,000	655,000
Accounts payable and accrued liabilities	613,538	640,256
Interest accrued on funded debt	1,570	1,488
Sales and other taxes payable	18,044	11,031
Income taxes	—	1,500
Total current liabilities	1,136,152	1,309,275
Funded Debt (Note 1)		
General Mortgage Redeemable Debentures Authorized \$1,000,000		
Issued — 5½% Series "A" due January 1, 1976	500,000	500,000
Redeemed and cancelled	159,500	148,500
	340,500	351,500

S H A R E H O L D E R S ' E Q U I T Y

Capital Stock		
Authorized —		
8,447 6% Cumulative sinking fund preference shares of the par value of \$100 each, redeemable at a price not exceeding \$105		
200,000 Common shares without nominal or par value		
Issued and fully paid		
2,447 Preference shares (123 shares redeemed during the year)	244,700	257,000
152,000 Common shares	893,204	893,204
	1,137,904	1,150,204
Discount on Redemption of Preference Shares	21,390	18,741
Retained Earnings	485,896	529,101
	1,645,190	1,698,046
	3,121,842	3,358,821

On Behalf of the Board:

H. C. HANCOCK, Director
J. I. WHITFORD, Director

NOTE 1. The Trust Indenture securing the General Mortgage Redeemable Debentures, 5½% Series "A", requires the company, under certain conditions, to make payments into a sinking fund on or before April 1 in each of the years 1972 to 1975 inclusive. The conditions are such that no sinking fund payment is required to be made by April 1, 1972.

NOTE 2. Income taxes are increased because part of the cost of the buildings is not recognized for tax purposes and depreciation thereon, charged to earnings, is not deductible.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Wood Alexander Limited as of January 31, 1972 and the statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company at January 31, 1972 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Hamilton, Ontario,
February 25, 1972.

PEAT, MARWICK, MITCHELL & CO.,
Chartered Accountants.

WOOD ALEXANDER LIMITED

STATEMENT OF EARNINGS — FOR THE YEAR ENDED JANUARY 31, 1972

	1972	1971
Sales	\$ 6,161,731	6,192,146
Earnings before deducting the following:	\$ 121,525	184,132
Depreciation	43,751	40,224
Interest on funded debt	19,296	22,632
Amortization of bond discount	—	217
Directors' and senior officers' remuneration	55,166	50,491
	<u>118,213</u>	<u>113,564</u>
	3,312	70,568
Provisions for Taxes on Income (Note 2)	3,238	33,201
Net earnings for year	<u>\$ 74</u>	<u>37,367</u>
Earnings per share	\$ —	.14

STATEMENT OF RETAINED EARNINGS — FOR THE YEAR ENDED JANUARY 31, 1972

Balance — Beginning of Year	\$ 529,101	535,617
Net earnings for the year	74	37,367
	<u>529,175</u>	<u>572,984</u>
Discount applicable to debentures redeemed during the year	2,160	2,525
	<u>531,335</u>	<u>575,509</u>
Dividends — Preference shares	15,039	16,008
— Common shares	30,400	30,400
	<u>45,439</u>	<u>46,408</u>
Balance — End of Year	<u>\$ 485,896</u>	<u>529,101</u>

STATEMENT OF SOURCE AND USE OF FUNDS — FOR THE YEAR ENDED JANUARY 31, 1972

Source of Funds		
Net earnings for the year	\$ 74	37,367
Add (deduct) non-cash items;		
Profit on disposal of plant and equipment	(4,087)	—
Depreciation	43,751	40,224
Amortization of bond discount	—	217
	<u>39,738</u>	<u>77,808</u>
Funds provided from operations	34,580	616
Proceeds on disposal of fixed assets		
	<u>74,318</u>	<u>78,424</u>
Use of Funds		
Purchase of fixed assets	56,262	21,281
Redemption of 5% first mortgage bonds less discount realized	—	94,500
Redemption of 5½% Series "A" general mortgage debentures less discount realized	8,840	9,475
Redemption of preference shares less discount realized	9,650	13,433
Dividends — Preference shares	15,039	16,008
— Common shares	30,400	30,400
	<u>120,191</u>	<u>185,097</u>
Decrease in Working Capital	45,873	106,673
Working Capital — beginning of year	1,372,032	1,478,705
Working Capital End of Year	<u>\$ 1,326,159</u>	<u>1,372,032</u>

See Notes 1 and 2 to Financial Statements.